

REMARKS

Further consideration of this application is respectfully requested. Claims 19-21, 24, 26, 27, 36, 37 and 38 are presented for further examination.

This Amendment is filed with the Request for Continued Examination and is submitted in response to the Final Rejection dated November 16, 2006. Applicant has made minor amendments to claims 19, 36, 37 and 38 to ensure proper antecedent basis. Further, the withdrawn claims have been cancelled without prejudice to place this application in condition for allowance.

Claims 19-21, 24, 26, 27 and 36-38 were rejected under 35 U.S.C. § 103(a) as being unpatentable over FairMarket in view of Giovanolli. FairMarket discloses an online auction in which vendors, “normally OEMs, and distributors, anomalously list excessive inventory for sale.” Buyers can bid on the listed inventory, and the highest bidder wins at the end of the daily auction. FairMarket “charges a nominal fee for sellers for the use of the service.” FairMarket eliminates the middleman such as brokers in selling excess inventory. As indicated in the FairMarket publication, “online auctions eliminate the middleman, who normally has a stake in the product sold....” “Informed sellers may get better deals than from brokers because they buy in large quantities and do not pay fees to middlemen.”

The FairMarket reference is similar to Odom et al. which was previously cited showing an auction system. Auction systems do not meet the limitations of claim 19 or claim 38 because the price, by definition, is not specified in the auction and the claim language of these two independent claims specifically excludes auctions. In an auction system, sellers do not list the price of the item, as set in forth Applicant’s claim 19. For example, claim 19 recites “automatically calculating a fixed sales price from said fixed price specified by said distributors in said computer system...automatically generating entries in said computer business system that include said fixed sales price...” FairMarket does not disclose a “fixed sales price.” The FairMarket system is an auction system. Auctions, by definition, do not have a fixed sales price. The Examiner argued that FairMarket discloses a minimum price that is set by the seller/distributor and that this constitutes a “set price.” In an auction, the minimum price is not a “set price.” In an auction, potential buyers bid against one another until a price is reached. The minimum

price is merely a floor at which bidding starts. It is not a set price. Again, by definition, an auction does not have set prices for items.

In that regard, Applicant's claims state "making said listings of said goods available to said purchasers on said electronic blind supply open commerce computer business system through a network connection to allow said purchasers to purchase said goods at said fixed sales price over said network without bidding in an auction." Both claims 19 and 38 specifically exclude auctions from the claimed subject matter. Again, FairMarket is an auction in which buyers can bid on the listed inventory, and the highest bidder wins at the end of the daily auction. The independent claims of this application specifically exclude auctions.

Further, as pointed out above, Applicant's claims recite "automatically calculating a fixed sales price from the price specified by said sellers" FairMarket does not disclose calculating any type of price. The price in FairMarket is set and is not dependent on the price at which the goods sell. FairMarket charges a service charge for selling the goods. This price is not calculated from any particular price, such as the price specified by the buyer as set forth in Applicant's claims, but is merely a service charge that is preset. There is no disclosure, or suggestion of calculating a service fee, especially one that is based upon the sales price.

Further, both claims 19 and 38 recite "automatically calculating a fixed sales price from said price specified by said sellers in said blind supply system." In the FairMarket system, prices are not specified by the seller/distributor. The seller/distributor simply places the goods for sale on the FairMarket system for bidding in an auction. As the Examiner points out, the seller/distributor may set a minimum price, but that price is subject to change in the auction and hence is not a "set price," as recited in Applicant's claims. To argue that a minimum price, that is subject to change in an auction, is a "set price" is without merit.

Giovannoli discloses a computerized quotation system in which buyers request quotes from sellers for standard products. The Giovannoli system processes requests for quotations for goods and/or services by broadcasting such requests to network members of a computerized system over the Internet. The advantage recited by Giovannoli, which is unlike the present invention, is that Giovannoli does not use a central database of goods, prices, etc. Instead, buyers formulate requests for quotation and transmit these

requests to the computerized network. The computerized network then broadcasts the requests for quotation (of specified standard products) to prospective sellers that are selected using filtering conditions. The sellers' responses are communicated back to the prospective buyer over the Internet or other communications networks. The Giovannoli system is a computer based communications network of network members for linking buyers and suppliers. The system stores the identification of the network members, i.e., both the suppliers (vendors) and the buyers. The Giovannoli system allows buyers to purchase items over the Internet by accessing multiple vendors. The buyer provides a request for a quote.

The combination of FairMarket and the Giovannoli Patent is improper, since the basic operating principles of the references would necessarily have to be altered to make such a combination. FairMarket is an auction system. Giovannoli is a request for quote system. These two systems operate on completely different principles. For example, if the vendors in FairMarket place their goods in the FairMarket auction system at a specified price, that would defeat the entire purpose of the auction system of FairMarket. There is no disclosure or suggestion, whatsoever, of using fixed prices in FairMarket, as is disclosed in Giovannoli.

It is also clearly established in the case law that a change in the mode of operation of a device which renders that device inoperative for its stated utility, as set forth in the cited reference, renders the reference improper for use to support an obviousness-type rejection predicated on such a change. *Diamond International Corp. v. Walter Hoefer*, 289 Fed. Supp. 550, 159 USPQ 452, 460-461 (D.Md.1968); *Ex parte Weber*, 154 USPQ 491, 492 (Bd.App. 1967). In addition, any attempt to combine the teachings of one reference with that of another in such a manner as to render the invention of the first reference inoperative is not permissible. *Ex parte Hartmann*, 186 USPQ 366 (Bd.App. 1974); and *Ex parte Sternau*, 155 USPQ 733 (Bd.App. 1967).

Such is the case in the present application. FairMarket would be rendered inoperable for its intended purpose if fixed prices were used in the FairMarket system as suggested by the Examiner. By definition, an auction system cannot operate as an auction system, if set prices for the goods are used. Likewise, if Giovannoli was modified by the teachings of FairMarket so that fixed prices were not used in the Giovannoli system, the Giovannoli system would not operate in accordance with its

intended purpose, i.e., providing a request for quote system that allows the user to obtain a price from multiple vendors.

In the Advisory Action, the Examiner argued that Giovannoli discloses a fixed sales price system and that the motivation to combine Giovannoli with FairMarket is based upon a statement by the Examiner that using fixed prices, rather than running an auction, would allow buyers to receive pricing for goods and services immediately without waiting for the results of an auction.

The motivation stated by the Examiner for combining the references defeats the purpose of FairMarket. FairMarket, again, is an auction system in which the sellers are attempting to obtain the highest price they can for their excess inventory of goods. If the seller sets the price of the goods, the purpose of receiving the highest price that the seller can obtain in an auction is defeated by setting the price. Further, FairMarket discloses that the auction is over at the end of the day. "Waiting for the results of an auction" is not relevant when an auction ends each day.

The Examiner has also argued that both references are directed toward direct linking between buyers and sellers and are therefore analogous art. The only similarity between the systems of FairMarket and Giovanolli is that they are both relate to commerce. Giovanolli is a system that requests quotes from sellers for standard products. FairMarket discloses an auction system for selling excess inventory of sellers. These two systems are the opposite of each other. One uses fixed prices, while the other uses an auction to establish a price. In FairMarket, buyers establish a price in an auction, while in Giovanolli, sellers establish a price by providing quotes. In Giovanolli, sellers are bidding by providing quotes, while in FairMarket, buyers are bidding in an auction. These systems are not analogous and operate in completely opposite fashion.

Finally, the Examiner argues that FairMarket is only relied upon to disclose that it is obvious to allow distributors to remain anonymous in an electronic commerce system, not solely in an auction system. That argument is simply incorrect. There is no teaching in FairMarket, or even any suggestion, whatsoever, that buyers can remain anonymous in an electronic commerce system that is not an auction system. As pointed out above, by changing FairMarket to be a fixed priced offering of goods, the basic operating principles of FairMarket must be changed, and the FairMarket system is no longer operable for its intended purposes, i.e., an auction system. This was the case in *In Re Gordon*, 221 USPQ

127 (Fed. Cir. 1984) in which the Examiner cited a reference that disclosed a filter that had similar structural components as the claimed filter of the patent application. The Examiner suggested modifying the reference by turning the filter upside-down so that it would operate in the same fashion as the claimed filter. The Federal Circuit pointed out that if the filter disclosed in the reference were turned upside down, it would not operate for its intended purpose. For example, the Federal Circuit pointed out that the filter of the reference operated by gravity to separate water and gasoline. If the filter were turned upside down, the petcock at the bottom of the filter would be on the top of the filter and could not be used to drain the water from the bottom of the housing, since the petcock would now be on the top of the filter in the upside-down position. Gravity would impede the function in the upside-down position. In a similar fashion, changing the auction system of FairMarket to operate on a fixed price basis would defeat the purpose of the auction of FairMarket. The auction of FairMarket is intended to dispose of the goods at the fair market value of those goods, which is established in the auction. If the seller sets the price of the goods, the goods may not sell because the price is set too high, or the goods may sell at a price lower than the fair market value of the goods, if the seller sets the price too low because the seller is worried about unloading the excess inventory quickly. Hence, the fundamental reasons for the auction process would be defeated by changing FairMarket to a fixed price system. As pointed out in *In Re Gordon*, *supra*, since the basic operating principles of the reference would be changed by the modification, the reference constitutes a teaching away from the proposed modification. Such was the case in *United States v. Adams*, 383 U.S. 39, 148 USPQ 479 (1966), decided with *Graham v. John Deere*, 383 U.S. 1, 148 USPQ 459 (1966), wherein the Supreme Court found that the teachings of the prior art deterred investigation into the inventive combination found by *Adams*. This teaching away from the invention by the prior art was found to be clear evidence of non-obviousness of the *Adams* invention. In this manner, FairMarket is a direct teaching away from Applicant's invention, since FairMarket requires bidding in an auction. Since the teachings of FairMarket are limited to auction systems, the teachings of FairMarket would deter investigation into systems that use fixed prices.

Further, the test for obviousness under 35 U.S.C. § 103 is whether the claimed invention would have been obvious to those skilled in the art in light of the knowledge made available by the references. *In re Donovan*, 184 USPQ 414, 420 n.3 (CCPA 1975). It requires consideration of the entirety of the disclosure of the references. *In re Rinehart*, 189 USPQ 143, 146 (CCPA 1976). All limitations of Applicant's claims must be considered. *In re Boe*, 184 USPQ 38, 40 (CCPA 1974). In making a determination as to obviousness, the references must be read without the benefit of Applicant's teachings. *In re Meng*, 181 USPQ 94, 97 (CCPA 1974).

Also, a basic mandate inherent in § 103 is that a piecemeal reconstruction of prior art patents shall not be the basis for a holding of obviousness. It is impermissible within the framework of § 103 to pick and choose from any one reference only so much of it as will support a given position, to the exclusion of other parts of the reference which are necessary to the full appreciation of what such reference fairly suggests to one of ordinary skill in the art. *In re Kamm*, 172 USPQ 298, 301-302 (CCPA 1972).

Clearly, the Examiner is attempting to reconstruct Applicant's invention using two disparate references that operate in essentially an opposite fashion. These references have not been read without the benefit of Applicant's teachings. Further, the entirety of the disclosure of Giovanolli and FairMarket have not been considered in the proposed combination of these references since these references operate in a completely different fashion, as set forth above. The Examiner has only selected the portions of the disclosure of these references to reconstruct Applicant's invention to the exclusion of the other parts of the references that are necessary for proper operation of the references. Finally, all the limitations of Applicant's claims have not been considered. Applicant's claims specifically distinguish from the auction system of FairMarket, as indicated above, by specifically excluding auction systems in the claims. Hence, this limitation of Applicant's claims cannot be ignored.

For these reasons, claims 19 and 38 are considered to be allowable over the art of record, as well as the Giovannoli Patent. The claims dependent on these independent

claims are considered to be allowable for the same reasons as set forth above.
Allowance of this application is therefore earnestly solicited.

Dated this 29th day of March, 2007.

Respectfully submitted,

COCHRAN FREUND & YOUNG LLC

By: 

William W. Cochran
Registration No. 26,652
2026 Caribou Drive, Suite 201
Fort Collins, CO 80525
Phone: (970) 492-1100
Fax: (970) 492-1101
Customer No.: 27479